CE: Is there a market for VCPs?
Housewares: Carson's Level 6

CALDOR'S NEW TEAM

C5150-7

HOW MUCH CABBAGE IS LEFT?

TWO DOLLARS PER ISSUE

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August 1985

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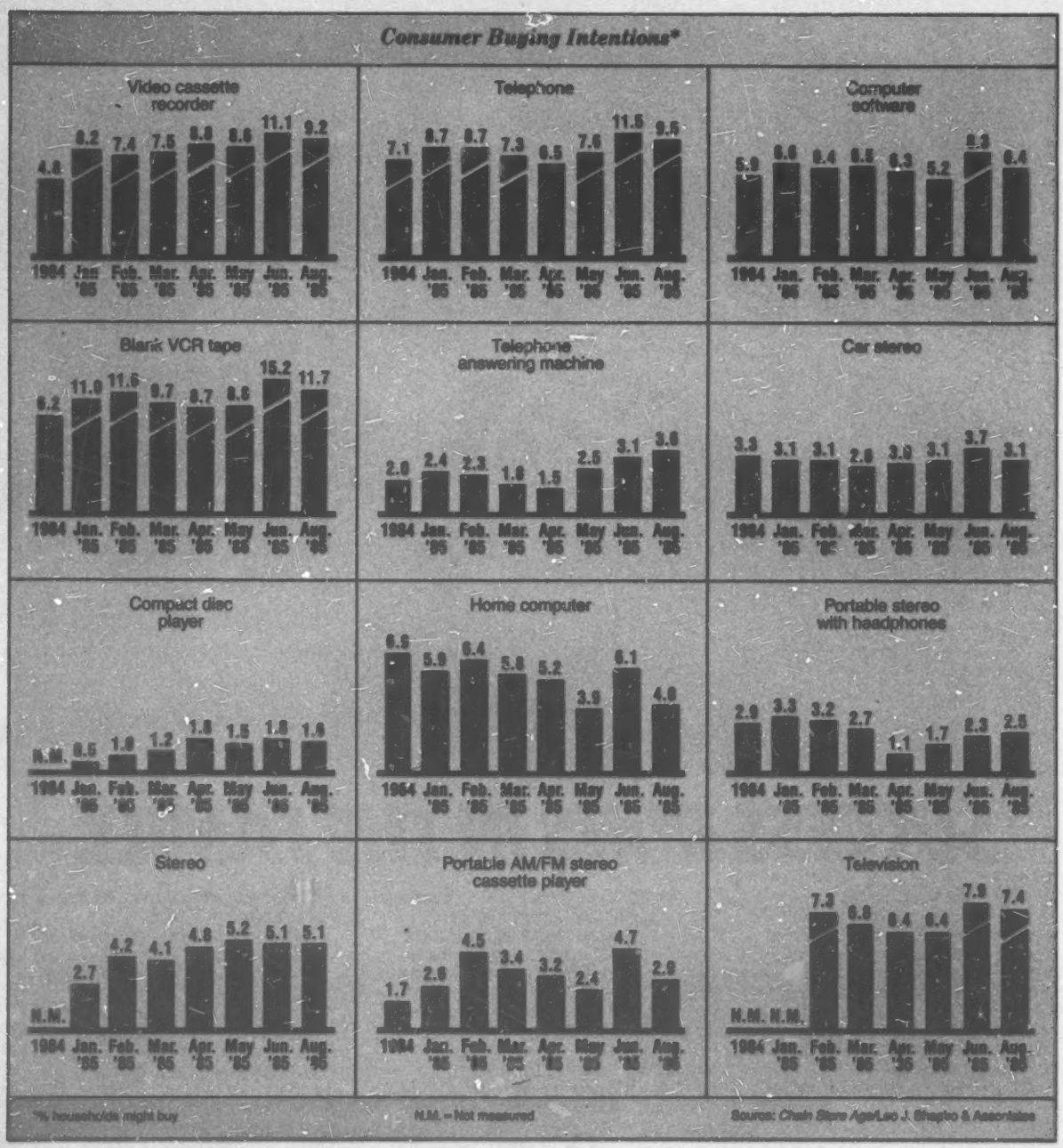
EIA 2.8% growth rate too low?

Could the boom go bust? When at June CES the Electronics Industries Association projected a paltry 2.8% growth rate for home electronics in 1985, the downwardly revised estimate put a scare into an industry grown accustomed to double-digit gains. As recently as January the EIA had been predicting an 8.2% increase for 1985.

Consumers, however, apparently have not read the EIA's gloomy projections, and sales may yet prove considerably more optimistic before year's end. For six of the nine electronics categories tracked both in the current poll and in last August's MarkeTrends, consumers express a higher intention to buy this year than in the 1984 poll.

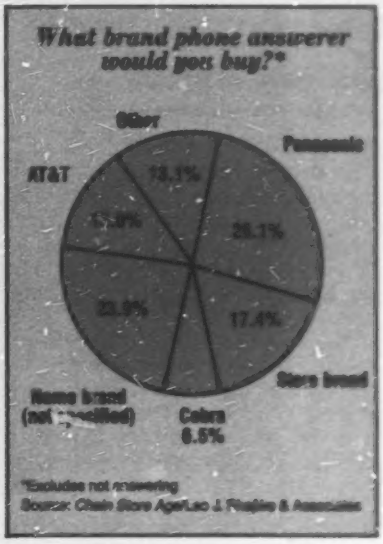
The big winners a year later are VCRs, with 92% more households reporting they expect to buy in the next 12 months, and blank video tapes, up 89% from 1984. Telephone answering machines have posted an 80% increase in intent to buy, followed by boom boxes (+71%), telephones (+34%) and computer software (+8%).

The only downtrenders from last August's survey are home computers (−42%), headphone stereos (−14%) and car stereos (−6%). □


Consumer Buying Intentions*
Video cassette recorder
4.8 8.2 7.4 7.5 8.8 8.6 11.1 9.2
Telephone
7.1 8.7 8.7 7.3 6.5 7.6 11.5 9.5
Computer software
5.9 6.6 6.4 6.5 6.3 5.2 8.3 6.4
Blank VCR tape
6.2 11.0 11.5 9.7 8.7 8.6 15.2 11.7
Telephone answering machine
2.0 2.4 2.3 1.8 1.5 2.5 3.1 3.6
Car stereo
3.3 3.1 3.1 2.6 3.0 3.1 3.7 3.1
Compact disc player
N.M. 0.5 1.0 1.2 1.8 1.5 1.8 1.8
Home computer
6.9 5.9 6.4 5.8 5.2 3.9 6.1 4.8
Portable stereo with headphones
2.9 3.3 3.2 2.7 1.1 1.7 2.3 2.5
Stereo
N.M. 2.7 4.2 4.1 4.8 5.2 5.1 5.1
Portable AM/FM stereo cassette player
1.7 2.8 4.5 3.4 3.2 2.4 4.7 2.9
Television
N.M. N.M. 7.3 6.8 6.4 6.4 7.9 7.4
1984 Jan. '85 Feb. '85 Mar. '85 Apr. '85 May '85 Jun. '85 Aug. '85
*% households might buy
N.M. = Not measured
Source: Chain Store Age/Leo J. Shapiro & Associates

AT&T is not answering the phone

Consumers have a good idea of what they will spend on phone answerers.



"AT&T is like God," says one telephone answering machine vendor. "They both have three letters in their names, and they both seem omnipotent."

While godlike might be a slight exaggeration, the communications giant certainly enjoys both tremendous market share and considerable top-of-mind consumer awareness. In the March MarkeTrends survey, 51.1% of the households that expected to buy a telephone in the next year said that they wanted to buy an AT&T phone.

Though undeniably the biggest player to be reckoned with in telephones, AT&T's strength doesn't seem to carry over into telephone answering machines. According to the August MarkeTrends poll, only 13% of those who intend to buy an answerer expect to buy AT&T.

Panasonic, named by 26.1% of prospective consumer buyers, unspecified brand name (23.9%) and store brands (17.4%) all beat out the communications giant in the MarkeTrends survey.

Some retailers have noticed. Macy's New York, for example, includes AT&T along with both private label and Webcor in its telephone assortment, but merchandises only Panasonic, Sanyo, Phone-Mate and Uniden in its answering machine mix.

On the whole, consumers have a pretty good idea of what they will be spending for answerers. The average amount cited by prospective buyers in the most recent MarkeTrends survey is $127.

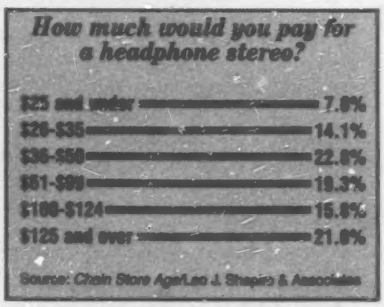
The Macy's New York assortment cited above, which opens with the Sanyo TAS 1000 at $119 and tops out with the Uniden EX9400 at $229, would meet the price expectations of 68% of potential customers in the MarkeTrends poll. Adding an additional unit priced just under $100, however, would up that number to 84%. □

Price promos move headphone stereos

The market for personal headphone stereos now appears driven predominately by replacement. The August MarkeTrends study indicates that 2.5% of households surveyed report they expect to buy a headphone stereo in the next 12 months. This compares almost identically to a year ago's 2.9% intent to buy.

Estimates from the Electronics Industries Association concur. EIA predicts 19 million units will be shipped to dealers in 1985, exactly equal to last year's totals. Projections for 1986 indicate a 5% unit increase, but a 2.5% decrease in dollar volume.

Though replacements currently account for a hefty share of the business, once again many retailers are trying to drive a maturing market through price promotion. The main beneficiary of the strategy, however, appears to be the consumer.


How much would you pay for a headphone stereo?
$25 and under 7.8%
$26-$35 14.1%
$36-$50 22.8%
$51-$99 19.3%
$100-$124 15.8%
$125 and over 21.8%
Source: Chain Store Age/Leo J. Shapiro & Associates

According to the August MarkeTrends poll, fully 72% of those who have bought headphone stereos in the last year say that they bought on sale. This compares to the 58% who said that they bought on sale a year ago.

Price and discount have also become the most important factors in choosing a store to shop for a personal stereo, according to MarkeTrends.

In the most recent survey, 55.6% say that price is the reason they would shop a particular outlet. A year ago 40% cited price as the prime reason for picking a store.

Consumer price expectations have tumbled. In August 1984 consumers expected to pay $80 for a headphone stereo. This August prospective buyers cite an average $60 price. □

Stereo system sales get set to sail

After three years in the doldrums, audio systems are sailing again. Though unit sales are still below 1980 industrywide levels, wholesale dollar volume will top $1 billion again this year, according to the Electronics Industries Association.

MarkeTrends research reflects heightened consumer interest in buying a home stereo. Since January of this year, the number of households that say they expect to purchase in the next 12 months has jumped nearly 90%. In the most recent survey over 1 in 20 households (5.1%) report that they intend to buy a stereo system sometime in the next year.

Stereos play best in the West

	Sales potential score*
[illegible]	112
Middle Atlantic	105
[illegible]	88
East North Central	47
[illegible]	91
East South Central	95
[illegible]	[illegible]
Mountain	71
[illegible]	170

*Compares number of households that might buy with number of households in geographic area.
Source: Chain Store Age/Leo J. Shapiro & Associates

When the survey results are broken down on a regional basis, however, the sales potential picture proves considerably different. Consumers in the Pacific and West South Central states indicate a higher interest in buying a home stereo than any other region. The East North Central states show the least interest (see chart).

Asked which brand stereo they intend to buy, consumers come up with a list of 14 nationally advertised brands, the most for any of the 12 consumer electronics products studied. Only Pioneer (13.4%) and Sony (11%) are named by more than 1 in 10 consumers in the poll, with Fisher (8.5%) and Panasonic (7.3%) the only others garnering the votes of more than 1 in 20 consumers.

On the average, consumers expect to pay $571 for their new stereo system. □

Gray market or free market?

There are two things that can be said for sure about the free market economy. First, everyone in American business proclaims absolute allegiance to it. Second, almost no one truly supports the free market when it comes to their own business.

That is not necessarily bad. Did the Chrysler bailout hurt or help the American economy? All but the most strident free market adherents would say it helped.

Does the near mortally threatened American textile industry deserve protection from imports? Pure free market philosophy says not. But I would invite anyone who believes that to say it directly to a Southern textile worker whose town is about to lose its only industry and its workers their only jobs.

Since most consumer electronics manufacturing moved offshore some time ago, the industry faces a different free market question: Should the gray market in electronics goods be outlawed?

So far, efforts to ban gray market goods have not met with success. Those attempts have not been successful because national decision-makers do not want to tamper with the free market.

It may surprise many when I say that this is a free market question. Much of both consumer and trade press reporting on the gray market has explained it solely in terms of currency variations.

A little bit of arithmetic, however, shows that currency differences do not create the gray market. What really gives life to this second distribution network is the lack of worldwide prices.

As long as there are manufacturers selling the same or similar products to offshore distributors at prices below those available to American merchants, then American merchants will look to those other avenues to buy at the best price.

Let's not fool ourselves about this. The number of retailers who purchase through the gray market is neither small nor limited to so-called "sleazy" deep-discount specialists. A list of retailers who at least somewhat regularly buy on the gray market would include nearly all of the most respected electronics retailers.

Nationally known department stores, discounters, catalog outlets and audiovideo specialists would all find their names listed. I know of at least one chain that was buying 12,000 gray market portable headphone stereos every month during the boom a few years back.

There is nothing nefarious about this. If retailers buying at the best price available to them on the international market is wrong, then so are many of our assumptions about business and the free market. Buying at the best price and selling at the best price is, after all, what retailing is all about.

What is the effect of gray market buying? For one, it helps keep free market principles in control of prices. As long as international companies know that the gray market exists, they will keep prices honest.

Without the gray market, vendors could set prices for U.S. customers far above those charged customers in other countries. With the gray market, prices respond more directly to the principles of supply and demand.

In the end, the free market is what we all believe in. There certainly may be times when its principles might be broken or bent for the common good, but in banning the gray market we would also be banning supply and demand pricing. I don't think any of us is ready to go quite that far.

—Rick Gallagher

Vacuums get a jolt with gadgetry

Higher price tags have retailers wondering if consumers will trade up to new high-tech vacuums.

Vacuums are getting smarter these days. Microchip technology has made it possible for vacuums to actually "judge" how much power is needed to clean a surface. Some models also have the ability to clean wet and dry spills or automatically turn themselves off should a problem arise.

Not surprisingly, these new state-of-the-art models come with higher price tags and a need for assistance at point-of-sale. This has left retailers wondering whether today's customer is willing to trade up to the new models complete with all the "bells and whistles."

Industry sources hope so: Most retailers and suppliers agree the industry could use a shot in the arm. Shipments, according to the Vacuum Cleaners Manufacturing Association, sank from 7.9 million units in 1983 to 7.4 million in 1984.

The outlook is somewhat brighter in 1985 with unit movement estimated to hit eight million by the year's end. Many, such as Whirlpool's general manager of floor care John Geehring, attribute the lift in sales to new vacuums with the latest gadgetry. Geehring predicts movement will hit the 10 million mark by 1990 as consumers replace existing vacuums with upgraded models.

"Today's time-pressed customer wants to save time and energy by using electronic vacuums," Geehring says. "This segment will grow faster than other parts of the business. It is also a benefit to retailers because these vacuums offer better gross margins."

More vendors enter the fray: Based on Geehring's assessment of the market, it is no surprise that Whirlpool entered the branded vacuum business with a six sku line of electronic vacuums in the $159 to $439 price range. It also is not unexpected that other brands should enter the fray. In fact, retailers are praising several new entries including those from Conair, Bionaire, Toshiba and Sharp.

Although Eureka and Hoover are still the category's dominant forces, according to K mart's sr. buyer Dennis Dorn, other brands are gathering attention. Adds Jeff Case, buyer for Fresno, Calif.-based E. Gottschalk & Co., "We're seeing some more sales from Regina and Royal."

No matter what the brand name, retailers are trying to gauge the success of higher-ticket vacuums, particularly the electronics.

Those retailers who took on the new Whirlpool line (it has only been selectively distributed) report they are "moderately" pleased with the line. At Rich's in Atlanta, for example, a company spokesman says that movement is not as fast as he thought it could be, but the brand fills a definite niche between Hoover and Eureka and the door-to-door brands.

Others prefer to stick with offerings from the industry leaders—Hoover and Eureka. Several do not feel Whirlpool, which is not known for its vacuums (although it has made private label lines), can put a dent in Hoover's and Eureka's market share.

Trading up: Within the standard vacuum lines, however, retailers have noticed consumers trading up. Case at Gottschalk's reported a decent sell-through on Hoover's new Dimension vacuum. Dimension, according to Diane Kolsa, market analysis for Hoover, decides how much power is needed to clean a surface.

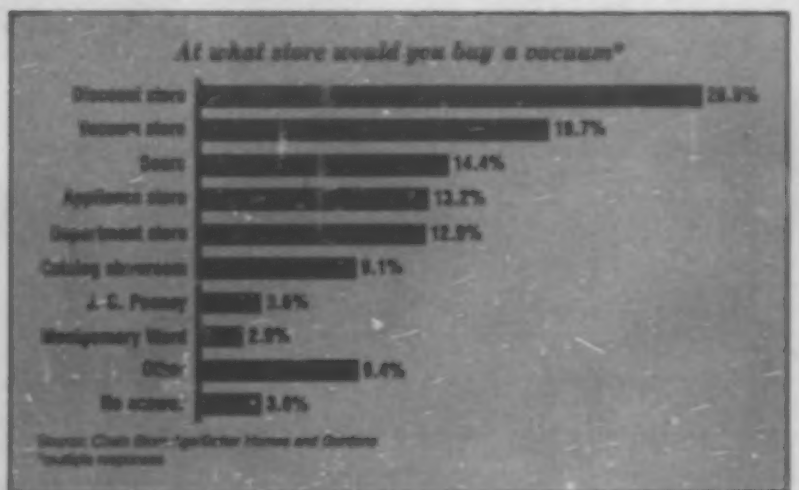
Even the catalog showroom segment of the business reports encouraging sales of higher-ticket electronics. At Rochester, N.Y.-based The Present Co., buyer Roger Krischan is noticing more people buying vacuums in the $200 price range.

"We've always done well with higher-end items," he says, "but now we're finding people who want a vacuum that will do everything except plug itself in."

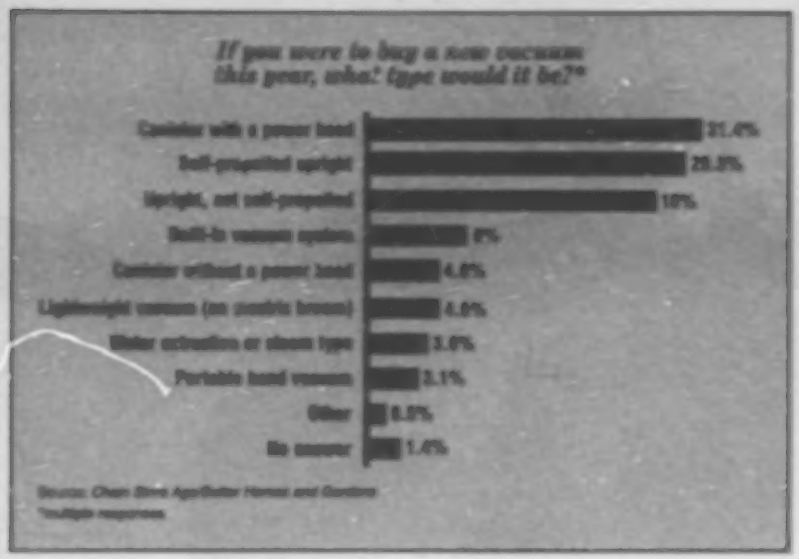
One of the benefits of the upgraded models, retailers note, is the chance to bring margins back up to healthy levels. Many say aggressive promotions by Eureka and Hoover have resulted in depressed margins as low as 20% to 25%.

"With our models," says Perry Clay, general manager, appliance division at Sharp, "we can offer retailers margins as high as 35%.

If margins can be boosted, retailers say, vacuum cleaners will start receiving better in-store place-



Consumers are trading up in standard vacuum lines, say retailers.



Electronic vacuums save time and energy for busy consumers.

ment. K mart, for example, has enacted—in conjunction with Hoover—a new vacuum display to be used in the front of the department rather than in hidden space in the back.

"We have to find ways to improve slipping margins," admits Geehring, "so that retailers will move the department back to better presentation space."

Yet there is a down side: The new sophisticated vacuums take more advertising and more in-store demonstration. And, if consumers shy away from the price, retailers could get stuck with expensive inventory on vacuums that will not move.

Retailers are answering these problems by using more demonstrators. Case at Gottschalk's estimates that he uses a demonstrator 50% to 80% of the time.

Vendors say they are attempting to make the products easy to sell in a self-service environment. Hoover, for example, has a new hang-tag program, according to Kosla at Hoover.

Despite efforts to trade the customer up, several retailers report they are taking the opposite tack and hyping the smaller, often rechargeable offerings. Stick brooms, according to Krischan at Present Co., have really taken off. To that end, he plans to take on Eureka's new Quick Up, a battery cordless item. Krischan ordered over 48,000 pieces of Quick Up and thinks it is at a "good place in the market."

Bill Eades at Heck's agrees and plans to run Quick Up in a Back-to-School ad at a price of $39.96 (his cost is $29).

Retailers mention several other strong-selling small units: Mighty Mite from Eureka, Royal's Dirt Devil and Black & Decker's Dust-Buster.

Despite the emphasis on these smaller items, recent *Chain Store Age/Better Homes and Gardens* research shows most consumers interested in purchasing a canister with a power head (31.4%) followed by a self-propelled upright (29.3%) and an upright that is not self-propelled (18%). Only 4.6% of the market surveyed were interested in an electric broom style and 3.1% expressed interest in a hand-held version. □

Home security sections lure shoppers

Successful sales of home security items have led some retailers to establish easy-to-shop product sections.

Manufacturers of home security products have a .500 batting average.

The resurgence they predicted in sales has not improved beyond the current healthy levels, but their suggestion that retailers consolidate the products into one section has gained acceptance in most major chains.

Retailers are generally pleased with the performance of smoke detectors, timer lights, and fire extinguishers, and the good sales have prompted them to present the products in one section to make it easier for shoppers to find.

Over the past three years, most major chains have plucked several products out of different departments and presented them in one area with special signs and displays. The new merchandising approach has been further helped by a healthier housing market and tougher local fire ordinances that mandate some of the products.

Typically, the home security section is in the hardware department and consists of three to four sku's of smoke detectors, the keystone products, at least three sku's of fire extinguishers, and two to three timer lights.

In price points, lower-priced smoke detectors hover around $10, and top of the line items can go as high as $32. Fire extinguishers usually begin at a $10 price point for the smaller size and continue up in price to the $30 level. Timer lights range from $6 to just under $10. Rebate programs often mean a third off the sales price, or as much as $10 on a higher-priced smoke detector.

The hardware department was chosen as the appropriate place for the new section—rather than housewares—because men are the primary shoppers for home security products. The consolidation of the products in one, easy-to-find area

Summer housewares sales slowdown

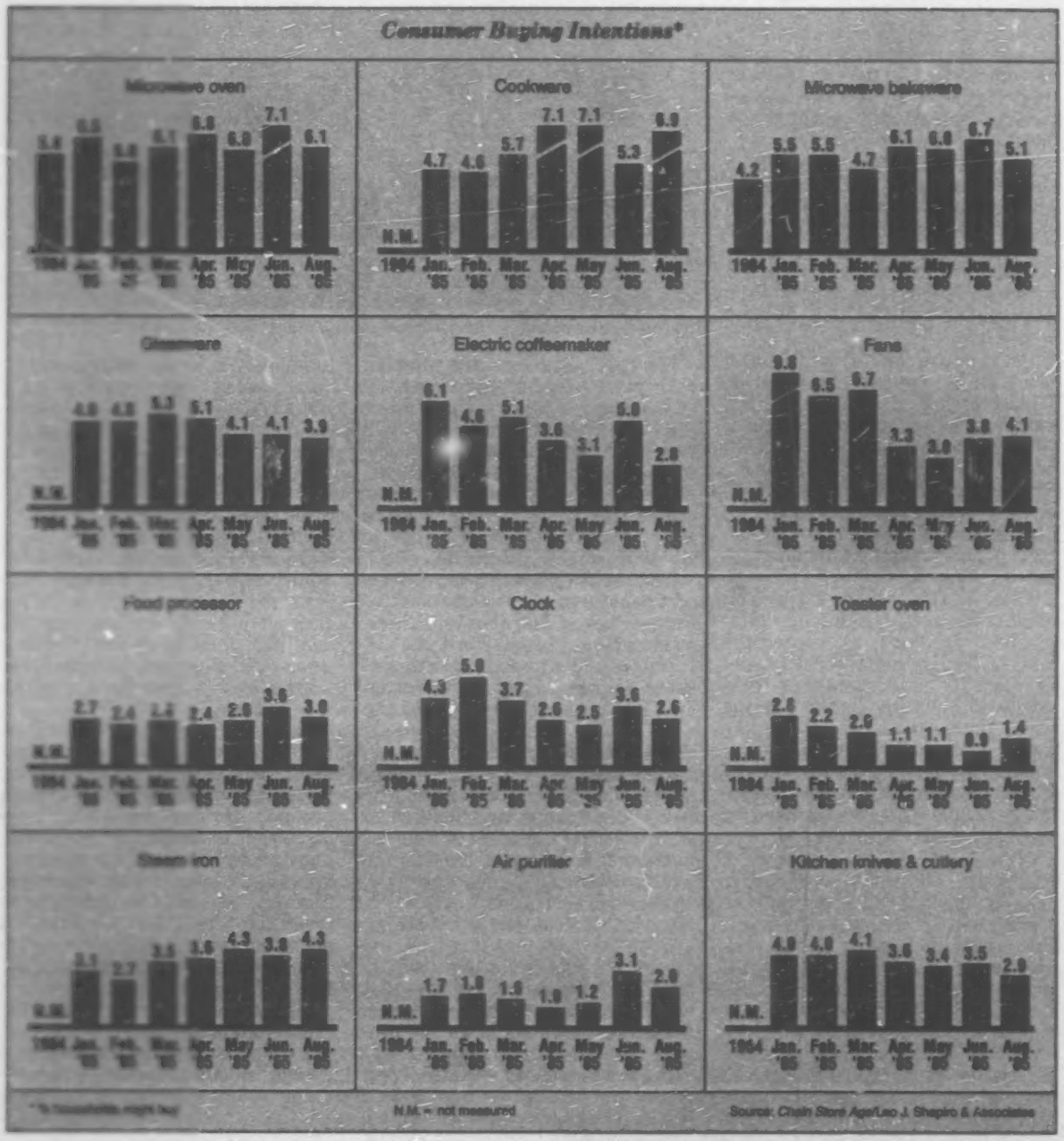
Retailers' fears that summer housewares sales would slow may have some validity, according to the most recent consumer buying intentions survey conducted by *Chain Store Age*/Leo J. Shapiro and Associates.

Several key classifications continue a downward trend based on the consumers' intentions to buy within the next 12 months. Glassware, electric coffeemakers and cutlery head the lists of items declining. Glassware, in fact, shows its lowest intention to buy percentage (3.9%) since the category was first tracked in January.

Retailers and vendors agree that the housewares business has been somewhat flat over the summer.

Even the brightly colored summer seasonals did not provide the spark most buyers had anticipated. Retailers are quick to add, however, that summer housewares sales are usually slower than sales during the rest of the year.

There are a few bright spots in the housewares category, the survey points out. After a slight fall off in June, cookware and steam iron sales should start perking up again. Almost 7% of the households polled plan to be in the market for cookware; 4.3% are contemplating a purchase of a new steam iron. □


Consumer Buying Intentions*
Microwave oven
5.8 6.5 5.8 6.1 6.8 6.8 7.1 6.1
Cookware
N.M. 4.7 4.6 5.7 7.1 7.1 5.3 6.9
Microwave bakeware
4.2 5.5 5.5 4.7 6.1 6.8 6.7 5.1
Glassware
N.M. 4.8 4.8 5.3 5.1 4.1 4.1 3.9
Electric coffeemaker
N.M. 6.1 4.6 5.1 3.6 3.1 5.0 2.8
Fans
N.M. 9.8 6.5 6.7 3.3 3.0 3.8 4.1
Food processor
N.M. 2.7 2.4 2.4 2.4 2.8 3.6 3.0
Clock
N.M. 4.3 5.0 3.7 2.6 2.5 3.6 2.6
Toaster oven
N.M. 2.6 2.2 2.6 1.1 1.1 0.9 1.4
Steam iron
N.M. 3.1 2.7 3.5 3.6 4.3 3.8 4.3
Air purifier
N.M. 1.7 1.8 1.6 1.0 1.2 3.1 2.0
Kitchen knives & cutlery
N.M. 4.9 4.9 4.1 3.6 3.4 3.5 2.9
1984 Jan. '85 Feb. '85 Mar. '85 Apr. '85 May '85 Jun. '85 Aug. '85
*% households might buy
N.M. = not measured
Source: Chain Store Age/Leo J. Shapiro & Associates

Increased travel heats up iron sales

Retailers say travel irons are now a thriving segment of total iron volume.

The continued strength of the dollar has enticed more Americans to head to Europe or other vacation sites. With this additional travel has come a surge in sales of travel irons, particularly those with foreign voltage adapters.

Retailers say this area has grown from one with little volume five years ago to a thriving segment of total iron volume. Recent *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends research shows that 7.7% of those planning to buy an iron (who mentioned a type) expect to buy a travel version.

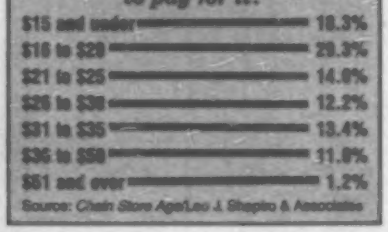
Dennis Dorn, K mart's sr. buyer for small appliances, agrees that travel irons have contributed to a renewed growth in what had been a stagnant iron market. He also cites the new cordless irons and irons with automatic shut-offs as items bringing incremental volume to the category.

The recent poll found that although the majority (69%) plan to purchase a corded model, a significant 23.1% of the households will be in the market for a cordless iron. Retailers welcome that news because the cordless models carry higher price tags.

According to Sunbeam's Wayne Smith, Sunbeam's Monitor Iron (with an automatic turn-off) has helped that company up its iron market share by 50%.

Despite Sunbeam's growing name in irons, consumers queried by *CSA* still have an immense loyalty to the General Electric name (irons, excluding the automatic turn-off model, will not start carrying the Black & Decker logo until Jan. 1986). Better than 50% of the households say they will buy a G.E. iron. That is on par with the number of households that topped their lists with G.E. when the category was last tracked, in March 1985. □

If you bought an iron, how much would you expect to pay for it?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Promotions push processor sales

Heavy promotional activity by department stores helped put them back on top as the place where consumers would most likely buy a food processor.

In the August MarkeTrends research conducted by *Chain Store Age*/Leo J. Shapiro & Associates, almost 27% of the households surveyed selected a full line department store as the logical choice for the purchase of a food processor. Next in line were Sears, Penney and Montgomery Ward, which captured 23% of the households, followed by discounters with a 19.2% share.

This is a dramatic shift from March, when MarkeTrends research showed the Big 3 controlling the market with 33% penetration. In that poll, discounters were selected by 25% of the households and full line department stores were the choice of only 16.7% of the survey.

Many retailers and suppliers attribute the drastic loyalty switching to the intense discounting departments stores are employing to bring back the food processors business—a business they feel is rightfully theirs. A recent price check of Sunbeam's Oskar food processor in the Chicago market underscores what is going on: J. C. Penney featured the item for $79.99 while Marshall Field put it out at a bare bones price of $69.99.

Department store retailers obviously know how important price can be to this category. MarkeTrends research found that 50% of the households select price as the reason they chose one location over another. The survey found 70% had purchased a food processor on sale.

Further proof that department store promotions have impacted the market: Cuisinart (a department store line) grew in brand preference. It was selected as the brand shoppers would buy by 25% of the households polled. □

Cuisinart charges ahead; Sunbeam surfaces

Brand preference			
March 1985		vs.	August 1985
General Electric	30.8%	Cuisinart	25.8%
Cuisinart	21.6%	General Electric	12.5%
Other	15.0%	Sunbeam	8.8%
Moulinex "La Machine"	6.3%	Hamilton Beach	6.8%
Hamilton Beach	4.3%	Moulinex "La Machine"	5.8%
Other (including store brands)	23.4%	Other (including store brands)	40%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Clock sales are slowing down

Retailers are rushing to make the clock category more of a fashion business in order to stem the softening of clock sales and profits.

The theory, buyers say, is that with the injection of fashion into the clock business will come greater impulse sales and incremental business.

Retailers have their work cut out for them. According to recent MarkeTrends research, the intention-to-buy is sinking. Only 2.6% of the households polled plan to buy a clock within the year. That is down from the category's high of a 5% in-

tent-to-buy percentage last February.

Further research into the category shows two distinct segments of the business—decorative, wall clocks and table/alarm models.

MarkeTrends found that consumers prefer a wall clock if they are going to receive it as a gift. These clocks are viewed as a way to decorate or furnish a room. In the case of decorative clocks, consumers prefer battery operated quartz models. There is nearly a 2 to 1 preference for a dial or analog clock in the wall version.

Digital, however, is preferred for the bedroom where models are considered more functional than decorative. Consumers see table clocks and clock radios as bedroom equipment designed to keep consumers aware of the time or to wake them up in the morning. Because the consumer depends on these clocks, an electric plug-in or wind-up model is preferred by more than a 2 to 1 margin over battery quartz clocks. □

Can appliances kick rebate habit?

Face it . . . in the personal care business, consumers have come to expect rebates. Rampant rebating has created an environment where it is not uncommon for a consumer to buy a curling iron or brush with a rebate at a net cost as low as $5.

It is not just the consumer who has come to demand the refunds, but the retailer as well. Witness, for example, Black & Decker's plight when it attempted to curb rebating with its newly acquired General Electic items. These cash discounts were quickly reinstated when B&D discovered retailers were hesitant to give shelf space to an item without a rebate. Many others who have tried to stem a flow of rebates have quickly changed their minds when they saw they would lose precious shelf space.

Most small appliance manufacturers appear to be meeting the demands of the market. B&D shows no signs of exiting the rebate game. Sunbeam has doubled its program and Norelco sources insist rebates are here to stay.

There is, however, one manufacturer deciding this is the year to start changing the rebate situation. Clairol, according to Michael L. Powell, director of marketing, believes consumers are ready to pay full price for personal care. Providing, that is, the product offers something truly innovative and needed.

Will buyers go along with Clairol? Powell thinks so. His proof is the trade's reaction to Clairol's new bikini line shaver called Bathing Beauty (now in stores selling for about $19.99).

"When we presented it to buyers," Powell recalls, "we had hardly anyone ask for a rebate. These are the kinds of items this category needs. These items not only bring shoppers into the store, but bring in personal care business in the summer, which is usually a slow period for the business."

Currently, about 50% of Clairol's items include a rebate. Powell admits that many products, particularly low-priced hair care items, will continue to require some rebates. Clairol, however, is moving in the direction of launching new products capable of selling without a refund.

"By doing so," Powell adds, "we can increase our advertising budget, which has been depleted because of the high costs of rebates."

After a few years in the market, Powell says, an item may need rebates to keep it alive. This is especially the case if the product gets knocked-off by other vendors. At this time, for example, the Bathing Beauty shaver has no rivals and requires no rebating. After a few seasons, Powell admits, the product may include a rebate.

He also concedes there are some personal care appliances which will always require some form of discounting. "Consumers are so spoiled when it comes to curling irons and brushes that we will probably continue to see rebating on those items."

Although buyers claim they have "heard the 'no rebate' tune before," many have faith that Clairol can break out of the rebate rat race.

If there is one challenge to conquer, they say, it is finding enough ways to revamp what are basically commodity products. If suppliers can devise new ways to perform standard tasks, the rebate war can be won.

One seasoned housewares retailer sums it up like this: "If they can keep making products with a genuine need, that's fine. When they stretch so far that a consumer has to pay extra for a hair curler to whistle a tune—that's going too far."

—Faye Brookman

Keeping pace with changing tastes is one of Curtain Country's strengths.

Fieldcrest full terry towels at $5.99, and a center spread focusing solely on curtains and draperies.

But choosing merchandise to fit into a rigid price point structure is not the way Berkell or his two buyers (one of whom is his mother) operate. He says, "We think of it [a curtain] in terms of an item. We buy it strictly on appeal, not on price point."

Moreover, curtains and draperies are less of a brand business than other home lines such as towels or small appliances. This makes them less price sensitive, for the most part, and helps keep gross margins healthy.

Berkell says his overall store gross margin is "a little less than a Bloomingdale's but more than the average discounter." *Chain Store Age* estimates it to be between 40% and 45%.

With such a high gross margin and little price sensitivity in those categories, Berkell doesn't bother to carry private label merchandise. But he is looking into importing as a way of increasing value, although his company doesn't have any programs set up to date.

Other reasons for the specialty store's success include quick reaction to customer's buying patterns, strong store presentations and good service. Curtain Country has a sophisticated computer system that tells management how many of each item sold in a particular day. "We're very sensitive to the rate of sales," says Berkell. For example, the company has increased its emphasis on vanity accessories when it saw how quickly this merchandise moved.

Additionally, Curtain Country responded to customer demand in bedding basics (which include mattress pads and pillows) by changing its strategy. Previously, the specialty retailer treated it as a day-in, day-out business, promoting merchandise occasionally. Now, Berkell says it's a bit more promotional with sharper sale prices.

Presentation, too, is constantly being evaluated. Always looking to improve store appeal, Country Curtain tests new display techniques at new stores.

"Curtains are funny," says Berkell. "We've tried all ways to display them. We've tried glass racks. We've tried gondolas and tables. But the best way seems to be the way we're doing it now."

Panels and priscillas are hung on walls in mini-vignettes. Curtains are displayed on mock window frames with bins attached. Where floorspace allows, coordinating bedspreads are placed on mock beds with matching curtains on false windows behind them.

Still, Berkell admits that a few classifications such as table linens and hard window treatments could be presented better. But space limitations (the stores average 6,000 to 6,500 sq. ft.) have forced him to narrow his focus and give the majority of space to primary profit-producing classifications such as curtains. Consequently, minor businesses (like table linens) have little room left for visual impact.

Hard window treatments, on the other hand, have been neglected somewhat in the past, says Berkell. A triangular fixture, housing sample mini-blinds and verticals from Levolor, is sandwiched between drapery hardware and shades in the back of the stores. Behind the displayer, on a shelf are supplier catalogs with color and fabric swatches. Although Berkell hasn't decided how it will change, he says Curtain Country will be expanding this category.

As for service, Curtain Country employs approximately 30 people per store. Berkell notes that the company insists on high visibility of salesmen because most consumers need help in choosing the proper size curtains and drapes.

In fact, the company has a written credo, says Berkell. It is: "If a customer asks where something is, thou shall not point—take them over to it."

It is this unique combination of service and merchandising savvy that propels the specialty retailer to new heights. Over the next few years, Curtain Country plans to open seven to eight stores a year (in malls and strip centers), filling in its current markets, in addition to growing its mail-order business (which currently accounts for less than 5% of the company's sales). By the end of 1985, Berkell projects the company sales to be $18 million to $19 million with 22 or more stores operating. □

Flannel sheets are cozy to consumers

Popularity of flannel sheets could protect retailers from having to promote the classification this winter.

Retailers can anticipate yet another good year for flannel sheets in 1985. A recent survey conducted by *Chain Store Age*/Better Homes and Gardens shows 20.9% of the consumers polled plan to buy these goods this year.

Nearly one-third of the consumers bought flannel sheets last year. Of those who made purchases, 49.3% have household incomes over $35,000 and 28.4% have incomes exceeding $50,000. This is a slightly more affluent group than those who had purchased conventional sheets in the past year.

The data indicates consumers may feel flannel sheets are a luxury, afforded to those with a greater disposable income. Actual retail prices

*Where consumers last bought sheets**

Outlet	Total	Income in excess of $25,000	Income in excess of $50,000
[illegible]	67.4%	70.6%	23.7%
Discounters	38.1	34.4	27.6
J. C. Penney	31.4	36.5	29.3
Sears	24.0	23.9	17.3
Off-pricers	12.5	16.1	21.4
Montgomery Ward	8.9	8.2	7.1
Specialty stores	3.6	4.3	4.1

*multiple responses
Source: Chain Store Age/Better Homes and Gardens

Nine of 10 consumers polled were influenced by the warmth and feel of flannels.

bear out their thoughts. Last winter, flannels averaged $10 to $16 for twins while percale twins were regularly $7 to $14.

Moreover, 9 out of 10 consumers who have bought flannel sheets say they were influenced by the warmth and feel of the merchandise. Price was an important factor with just 20.9%. This runs contrary to attitudes about conventional sheets, where 7 out of 10 make selections based on price.

Keeping this in mind, retailers should not be quick to promote flannels this winter. This classification could prove a good hedge against deteriorating gross margins.

Conventional sheet purchases, on the other hand, are most influenced by price, probably because retailers have trained consumers to respond to sales. In fact, the survey shows 83.5% of those polled last bought sheets on sale. But more importantly, 82.7% say they always wait for a sale while another 14.4% say they sometimes do.

Interestingly, household income is not a factor in who waits for sales and who does not. The study indicates consumers with incomes in excess of $50,000 are just as likely to wait for a sale as the total group sampled.

*Type of sheets last bought**

Twin	37.6%
Full	38.7%
Queen	34.3%
King	18.9%
Waterbed	8.2%
Other	0.2%

(multiple responses)
Source: Chain Store Age/Better Homes and Gardens

Pattern or style (52%) sways conventional buying decisions for sheets most after price. Fabric content was the next most important factor (43.2%), followed by color (39.1%) and brand (12.7%). So it comes as no surprise to learn consumers bought two and a half times as many pattern sheets as solid color ones.

However, it is surprising to see that most consumers still do not understand the word "percale." Answering with multiple responses, only 2 out of 5 defined the word as "180-threads or more." Approximately 36% said it meant "soft touch" and 25.2% said "high cotton-content."

Contrary to other industry reports, this survey shows there is little confusion between percale and 160-threads. Only 3.1% chose the latter as the definition of percale.

Three out of 10 consumers bought sheets in the past six months and another 26.4% made purchases within the past year. An additional 18.9% bought sheets within the past two years. As one might suspect, the more affluent the group, the more frequent the purchase.

Of those making purchases in the past six months, 56.8% have incomes in excess of $25,000 and 29.8% have incomes that exceed $50,000. This compares with 50% of those making purchases in the past year who have incomes exceeding $25,000 and another 22.7% who have incomes over $50,000.

But even though the majority of consumers have bought sheets in the past 12 months (56.8%), nearly 1 out of every 4 last made a purchase more than two years ago. Their income does not differ drastically from the group that made purchases within the past 12 months (2 out of 3 have incomes in excess of $25,000 and 1 in 5 exceeds $50,000).

The last time consumers shopped for sheets, they bought twins, fulls and queens in an almost equal ratio (see chart). Kings were purchased at half the rate.

Additionally, 8.2% of the consumers last bought waterbed sheets. Surprisingly, this group had the greatest percentage of older consumers. Approximately 82% were between 25 and 54 years old, but more specifically, 50% were 35 to 49 years old.

Lastly, 2 out of 3 consumers last bought sheets at department stores while 38.1% made their purchases at discounters. Another 31.4%—almost as many who shopped all discounters—bought sheets at J. C. Penney.

Sears shoppers comprised 24% of the group and Montgomery Ward, 8.9%. Off-pricers garnered 12.5%.

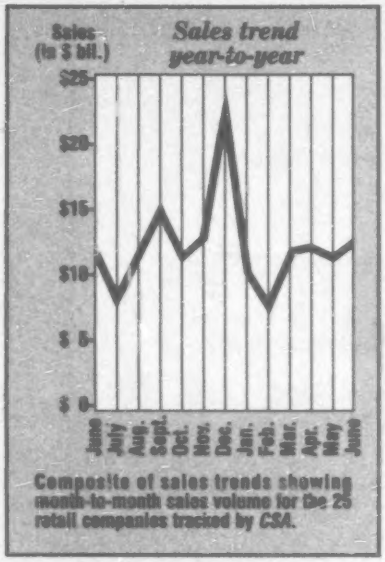
In general, high income consumers went to department stores more than those with lower incomes. These consumers frequented discounters Sears and Penney more than higher income shoppers. □

This study was conducted through the mail last April by *Better Homes and Gardens* for *Chain Store Age*. The sample size was 417 people.

Belt-tightening may squeeze sales

The 26 chains tracked by *Chain Store Age* posted a 5.5% sales increase in June, and for the five-month-old fiscal year volume stands 7.9% ahead of last year. Year-to-year sales comparisons will be easier for the rest of 1985 as figures will be going up against last year's weak second half.

Few, however, are predicting a boom. Consumers have run up historic high levels of personal debt and may be too leveraged to keep up even their current buying level. According to Woolworth president/ceo Harold Sells, predictions of 6%-8% gains for major retailers in the remainder of 1985 will prove "too optimistic."



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

For the second consecutive month, all of the Big 3 catalog chains posted sales drops. Ward volume slipped 5.6%. Sears and Penney both turned in sales 1.5% below last June. At Penney, same-store results were down 2.1%.

Among the department stores Carter Hawley Hale's 8.9% comparable-store increase for its department store division led the pack. Federated's results edged up 5%, while May Co.'s department store division posted a 4.2% comparable-store increase. R. H. Macy sales volume for June held even with last year's performance, but same-store results dipped 1.5%.

Discounter giant K mart recorded an 8.4% sales gain for the month, but June will be the last period the discount operator will benefit from comparisons to last year's figures which did not include sales from Waldenbooks. Comparable store figures for K mart in June were down 1.3%.

May Co.'s Venture discount stores reported sales up 13.4% for the month, while comparable-store figures increased a more modest 6.2%. Federated's Richway and Gold Circle discount operations saw sales drop 4.5% in June. Dayton Hudson's Target division posted a 10% gain.

Rocky Hill, Conn.-based Ames reported June sales increasing 67% for the month and 35% for the year-to-date. Included in the Ames figures for both the month and the 22 week period are $47 million of sales from the recently acquired G. C. Murphy Co.

June sales up a modest 5.5%

		June sales*		Stores		5-mo. sales*		
Major chains	% change	1985	1984	1985	1984	1985	1984	% change
Sears[1,3]	− 1.5	2,170,878	2,204,853	796	810	9,114,779	9,085,246	+ 0.3
Penney[3]	− 1.5	1,096,000	1,113,009	1,992	2,015	4,549,000	4,517,000	+ 0.7
Ward[1,3]	− 5.6	517,000	547,900	364	367	2,185,900	2,219,700	− 1.5
Federated[1,3]	+ 4.0	707,300	679,800	468	463	3,054,500	2,877,700	+ 6.1
Dayton Hudson[3]	+10.6	750,673	678,503	1,146	1,103	3,116,481	2,731,487	+14.1
May Dept. Stores	+ 9.5	445,800	407,100	1,941	1,635	1,900,100	1,711,100	+11.0
R. H. Macy	+ 0.1	389,300	388,700	95	93	1,667,400	1,602,100	+ 4.1
Associated Dry Goods	+ 3.9	394,400	379,600	340	325	1,655,000	1,507,000	+ 9.8
Allied Stores	− 0.9	343,900	347,100	616	581	1,537,300	1,495,100	+ 2.8
Carter Hawley Hale[3]	+10.3	345,000	312,800	282	252	1,461,200	1,321,000	+10.6
Mercantile	+12.0	154,520	137,907	79	78	685,706	614,607	+11.6
K mart[4]	+ 8.3	2,134,200	1,969,600	2,173	2,158	8,933,900	7,890,700	+13.0
Wal-Mart	+21.0	641,000	531,000	779	674	2,950,000	2,268,000	+30.0
Woolworth[3]	+ 5.0	325,200	309,700	N/A	N/A	1,408,000	1,303,000	+ 8.1
Household Merch.[2,3,7]	+ 5.9	519,206	490,181	3,570	3,717	2,232,306	2,132,296	+ 4.7
T.G. & Y.	− 0.5	184,856	185,841	740	776	1,897,956	1,827,956	+ 3.8
Zayre[1]	+22.0	331,900	272,600	907	784	1,395,900	1,158,700	+20.0
Bradlees	+ 7.0	138,000	129,000	132	128	526,000	492,000	+ 6.9
Rose's	+ 2.5	70,888	69,128	197	191	380,353	348,072	+ 9.3
Ames	+67.4	141,300	84,400	567	N/A	405,100	301,000	+34.6
Jamesway	+ 9.3	51,458	47,069	85	78	194,520	168,801	+15.2
Hock's	+ 9.3	44,700	40,900	126	122	192,500	181,700	+ 5.9
Melville[1]	+12.0	438,500	392,900	5,412	5,757	1,836,700	1,650,355	+11.3
Tandy	+ 5.7	213,837	202,306	N/A	N/A	1,079,365	1,031,408	+ 4.6
Edison Bros.	+ 5.7	71,000	67,200	N/A	N/A	388,200	411,400	− 5.6
The Gap	+19.8	49,600	41,400	630	575	198,500	172,900	+14.8
Circuit City	+42.9	48,300	33,800	97	N/A	210,700	153,000	+37.7
Total & Averages	+ 5.5	12,533,860	11,878,447	—	—	53,259,410	49,345,372	+ 7.9

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,651 franchise stores (vs. 2,769 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 323 Zayre stores (vs. 276 a year ago), 416 Hit or Miss stores (vs. 376) and 168 T. J. Maxx stores (vs. 135). [5]Excludes supermarket sales. [6]Store count is for K mart stores only. [7]Continuing operations only. [8]Domestic operations only.

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